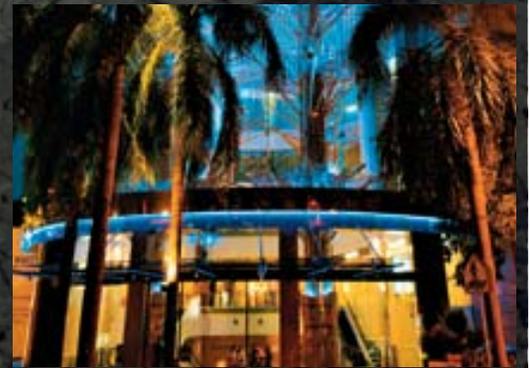
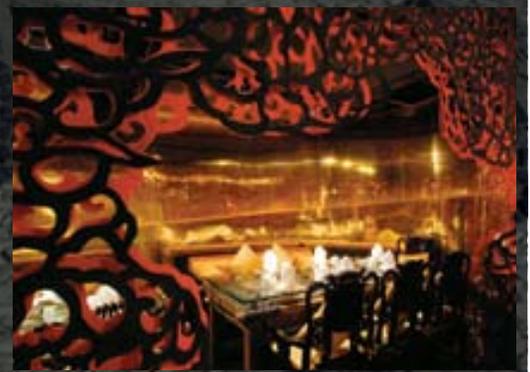




STARHILL  
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TRUST

the journey continues...



annual report 2009

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annual report 2009

# Financial Highlights

	2009	2008	2007	2006*
Net revenue (RM'000)	110,483	108,228	98,835	50,739
Income before tax (RM'000)	355,847 <sup>#</sup>	81,268	72,690	35,905
Income after tax (RM'000)	355,847 <sup>#</sup>	81,268	72,690	35,905
Total assets (RM'000)	1,656,676	1,381,961	1,363,342	1,249,967
Net asset value (RM'000)	1,420,257	1,145,896	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,178,889	1,178,889	1,040,000
Net assets value per Unit (RM)	1.205	0.972	0.972	0.983
Earnings per Unit (sen)	30.18 <sup>#</sup>	6.89	6.87	3.45
Distribution per Unit (sen)	6.9121	6.8936	6.7019	3.4524

\* The Trust was established on 18 November 2005 and commenced business on 16 December 2005.

<sup>#</sup> Includes the fair value adjustment on investment properties of RM274.36 million that arose from the revaluation of the Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties during the financial year ended 30 June 2009.

## (I) Portfolio Composition of the Trust

At 30 June	2009 %	2008 %	2007 %	2006 <sup>(1)</sup> %
Real Estate				
- Lot 10 Parcels	26	27	27	30
- Starhill Gallery	43	37	37	42
- JW Marriott Hotel Kuala Lumpur	22	26	26	28
- The Residences Properties	9	10	10	—
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## (II) Net Asset Value & Unit Information

	2009	2008	2007	2006 <sup>(1)</sup>
Total assets (RM'000)	1,656,676	1,381,961	1,363,342	1,249,967
Total net asset value ("NAV") (RM'000)	1,420,257	1,145,896	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,178,889	1,178,889	1,040,000
NAV per Unit (RM)				
- as at 30 June (before income distribution)	1.274	1.041	1.034	1.018
- as at 30 June (after income distribution)	1.205	0.972	0.972	0.983
- Highest NAV during the year / period	1.205	0.972	0.984	0.992
- Lowest NAV during the year / period	0.972	0.972	0.972	0.983
Market value per Unit (RM)				
- as at 30 June	0.83	0.85	1.07	0.92
- Weighted average price for the year / period	0.80	0.93	0.94	0.98
- Highest traded price for the year / period	0.89	1.14	1.10	1.07
- Lowest traded price for the year / period	0.70	0.84	0.82	0.89

## (III) Performance Details of the Trust Since Commencement

	2009	2008	2007	2006 <sup>(1)</sup>
Distribution per unit (sen)				
- First interim	3.4554	3.4025	3.3650	—
- Second interim	—	—	1.1840	—
- Final	3.4567	3.4911	2.1529	3.4524
	<b>6.9121</b>	<b>6.8936</b>	<b>6.7019</b>	<b>3.4524</b>
Distribution date				
- First interim	26 February	29 February	27 February	—
- Second interim	—	—	24 April	—
- Final	24 August	28 August	24 August	25 August
Distribution yield (%) <sup>(2)</sup>	8.64	7.41	7.13	6.50 <sup>(3)</sup>
Management expense ratio (%)	0.31	0.34	0.33	0.18
Portfolio turnover ratio (times)	—	—	0.06	0.56
Total return (%) <sup>(4)</sup>	(5.34)	6.35	3.05	1.65
Average total return <sup>(5)</sup>				
- One year	(5.34)			
- Three years	1.35			
- Since inception	1.43			

### Notes :

<sup>1</sup> The Trust was established on 18 November 2005 and commenced business on 16 December 2005.

<sup>2</sup> Distribution yield is computed based on weighted average market price of the respective financial year / period.

<sup>3</sup> Annualised for the period from 16 December 2005 to 30 June 2006.

<sup>4</sup> Total return is computed based on the distribution yield per unit and the change in the weighted average market price of the respective financial year / period.

<sup>5</sup> Average total return is computed based on total return per unit averaged over number of years.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.

## Property Portfolio

### ABOUT STARHILL REIT

Starhill Real Estate Investment Trust ("Starhill REIT") is currently Malaysia's largest real estate investment trust, with a market capitalisation of approximately RM950 million (as at 30 June 2009), and comprises four prime properties situated in the heart of Kuala Lumpur's Golden Triangle, namely, Starhill Gallery and the adjoining JW Marriott Hotel Kuala Lumpur, 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Parcels"), and 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences Properties") (collectively referred to as the "Properties").

Property	Approved Valuation	% of Total Real Estate Portfolio
Starhill Gallery	RM667.36 million	43.1%
Lot 10 Parcels	RM402.00 million	25.9%
JW Marriott Hotel Kuala Lumpur	RM335.00 million	21.6%
The Residences Properties	RM145.00 million	9.4%

Starhill REIT was established by a trust deed entered into on 18 November 2005 between Pintar Projek Sdn Bhd and Mayban Trustees Berhad, as manager and trustee, respectively, of Starhill REIT.

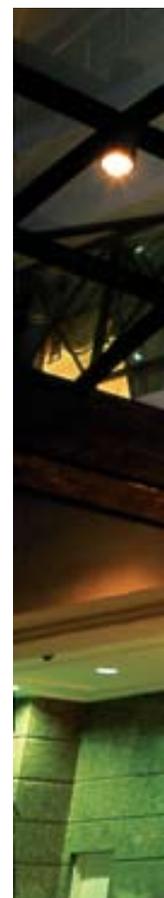
Listed on 16 December 2005 on the Main Market of Bursa Malaysia Securities Berhad, Starhill REIT's principal investment strategy is to invest in a diversified portfolio of income-producing real estate, used primarily for retail, office and hospitality purposes, with particular focus on retail and hotel properties. The primary objectives of Starhill REIT are to provide unitholders with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties, and to enhance long-term unit value.

### ABOUT PINTAR PROJEK SDN BHD

Pintar Projek Sdn Bhd ("Pintar Projek") was incorporated in 1994 and is a 70%-owned subsidiary of YTL Land Sdn Bhd, which is a wholly-owned subsidiary of YTL Corporation Berhad. Pintar Projek's Board of Directors and key personnel comprise experienced and prominent individuals in their respective fields of expertise.

### KEY HIGHLIGHTS OF STARHILL REIT'S PROPERTY PORTFOLIO

- **Strategic location:** The Properties are landmarks in Kuala Lumpur, strategically located in the Jalan Bukit Bintang area which forms part of the city's Golden Triangle. Jalan Bukit Bintang is one of Kuala Lumpur's main tourist hubs, popularly known as "Bintang Walk", and attracts a large number of tourists year-round.
- **Convenient access:** The Properties are located in an area close to numerous hotels and offices, making them easily accessible to tourists and travelers, as well as office workers. Lot 10 Shopping Centre is also linked by an overhead bridge to another popular shopping centre, Sungei Wang Plaza.
- **Strong brand recognition:** The Properties enjoy high profile status due to their strong branding, spearheaded by Pintar Projek, and their strategic location in Kuala Lumpur's prime shopping area.
- **High occupancy levels:** Both Starhill Gallery and Lot 10 Shopping Centre enjoy high occupancy levels, reflecting the demand for high quality space at a prominent location in Kuala Lumpur's tourist hub. As at 30 June 2009, Starhill Gallery and the Lot 10 Parcels had occupancy rates of 96.38% and 86.43%, respectively.
- **Strong tenant base:** The Properties are tenanted by high profile, international brand names and prominent local retailers, as a result of Pintar Projek's intensive marketing efforts to promote the Properties as well-known and sought-after addresses.







Starhill Gallery

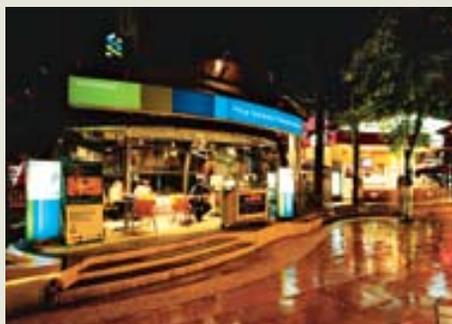


### STARHILL GALLERY

Property description	:	Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements
Address	:	181 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Property type	:	Shopping centre
Title	:	Freehold
Age of building	:	Approximately 14 years
Net lettable area	:	297,439 square feet
Approved valuation	:	RM667,360,000
Occupancy rate	:	96.38%
Major tenants	:	Autodome Sdn Bhd, Mystique Universal Sdn Bhd, Cortina Watch Sdn Bhd

Starhill Gallery, through its association with international architects and designers, offers a lifestyle destination with seven levels each offering different and unique experiences:- Feast, Indulge, Adorn, Explore, Pamper, Relish and Muse. It houses some of the biggest designer labels and is the largest global watch retailer offering more than 70 luxurious brands under one roof, in an atmosphere of privacy and exclusivity rarely seen in large shopping complexes.

Notable tenants include Louis Vuitton, Audemars Piguet, Bottega Venetta, Boucheron, Chopard, Christian Dior, Davidoff, Fendi, Givenchy, Gucci, Hublot, Kenzo, Richard Mille, Valentino and Van Cleef & Arpels. In addition, Starhill Gallery's Feast Village offers a unique dining experience with 12 upscale restaurants to choose from and an amazing display of modern architecture and mixed culture.



Lot 10



### LOT 10 PARCELS

Property description	:	137 parcels and 2 accessory parcels of retail, office storage and other spaces within Lot 10 Shopping Centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor
Address	:	50 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Property type	:	Shopping centre
Title	:	99-year leasehold interest expiring on 29 July 2076
Age of building	:	Approximately 19 years
Net lettable area	:	250,736 square feet
Approved valuation	:	RM402,000,000
Occupancy rate	:	86.43%
Major tenants	:	YTL Land Sdn Bhd, Autodome Sdn Bhd, F.J. Benjamin Fashions Sdn Bhd

Lot 10 Shopping Centre is situated within central Kuala Lumpur's hottest shopping and entertainment district, Bintang Walk. Attractively designed, with wide pedestrian frontages and large atriums, and linked via an overhead bridge to Sungei Wang Plaza, Lot 10 has been able to attract and secure high quality tenants and businesses.

The selection of tenants has been specifically planned according to the nature of business, style of trading, specific floor designation and, most importantly, to optimise business potential and profitability. Notable tenants include Braun Buffel, City Chain, Guess, Hour Glass, Machine – Apple Premium Reseller, Oris, Timberland, Tissot and Woo Hing.



JW Marriott Hotel Kuala Lumpur



#### JW MARRIOTT HOTEL KUALA LUMPUR

Property	:	A 5-star hotel with 561 rooms located on part of an 8-level podium block and the entire 24-level tower block of Starhill Gallery
Address	:	183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Property type	:	Hotel
Title	:	Freehold
Age of building	:	Approximately 12 years
Approved valuation	:	RM335,000,000
Tenancy details	:	The JW Marriott Hotel Kuala Lumpur is presently leased to Star Hill Hotel Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad and the operator of the hotel, for a term expiring on 31 December 2023.

The JW Marriott Hotel Kuala Lumpur is one of the flagship JW Marriott Hotels around the world and the first Marriott-managed property in Malaysia. Ideally located within the central business district of Kuala Lumpur, the five-star deluxe hotel anchors the popular Bintang Walk and provides a distinctive level of luxury and comfort with the impeccable service that is Marriott's hallmark.

Directly linked to the prestigious Starhill Gallery, guests enjoy convenient access to the best shopping in the city. Designed with the business traveler in mind, all guest rooms and suites have an ample working area and high-speed Internet access. The hotel comprises part of an 8-level podium block and the entire 24-level tower block of the main building, adjacent to the iconic Starhill Gallery.



## The Residences

### THE RESIDENCES PROPERTIES

Property	:	60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car parks within The Residences at The Ritz-Carlton, Kuala Lumpur
Address	:	Lot 1308, Jalan Yap Tai Chi, Seksyen 67, Off Jalan Imbi, 55100 Kuala Lumpur, Malaysia
Property type	:	Serviced apartments
Title	:	Freehold
Age of building	:	Approximately 4 years
Approved valuation	:	RM145,000,000
Tenancy details	:	The Residences Properties are presently leased to Star Hill Hotel Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, for a term expiring on 30 June 2031.

The Residences at The Ritz-Carlton, Kuala Lumpur comprise luxury serviced apartments in a 38-storey tower block adjacent to The Ritz-Carlton, Kuala Lumpur, located in the heart of Kuala Lumpur's Golden Triangle. Operated and fitted in a manner similar to hotel room standards, these serviced apartments provide the added advantage of hotel services with the flexibility and space of a home, and have been growing in popularity both internationally and in Kuala Lumpur in recent years.

The addition of The Residences Properties to Starhill REIT's portfolio facilitates the sharing of services with Starhill Gallery and the JW Marriott Hotel Kuala Lumpur. These services include world-class conference facilities at the Carlton Conference Centre, spa services at the award-winning Spa Village Kuala Lumpur and the high-end food and beverage outlets at Starhill Gallery's Feast Village.

## Chief Executive Officer's Statement

for the financial year ended 30 June 2009

On behalf of the Board of Directors of Pintar Projek Sdn Bhd ("Pintar Projek" or the "Manager"), I have the pleasure of presenting to you the Annual Report and audited financial statements of Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust") for the year ended 30 June 2009.

### OVERVIEW

Despite tough market conditions, both in Malaysia and abroad, Starhill REIT registered another year of solid results for the 2009 financial year, supported by the strength of its portfolio and the Manager's proactive management of Starhill REIT's assets. Whilst the outcome of the global financial crisis has yet to be seen, most economies have seen a cut-back in consumer spending, directly impacting discretionary spending in retail outlets and hotels. The Trust, however, continues to benefit from its blend of market-driven medium-term leases and fixed long-term leases, particularly in downturns and times of economic uncertainty.

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping**, CBE, FICE  
Chief Executive Officer  
of Pintar Projek Sdn Bhd



As reported last year, global concerns over asset valuations have continued to affect investors' medium-term views on the outlook for REIT stocks and this has been reflected in depressed unit prices across the board. However, Malaysia's property market has remained relatively stable and Malaysian REITs have not generally been hit by property devaluations resulting from the ongoing economic turbulence, enabling REITs with good occupancy rates and value propositions to maintain steady rental income and dividend streams.

Starhill REIT owns four prime properties in the heart of Kuala Lumpur's Golden Triangle, located in the renowned Bintang Walk area, namely 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10"), Starhill Gallery and the JW Marriott Hotel Kuala Lumpur, as well as 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences Properties") (collectively, the "Properties").

The REIT has long-term leases for the rental of the JW Marriott Hotel Kuala Lumpur and The Residences Properties, providing the Manager with a valuable degree of income certainty and an important avenue to manage the Trust's earnings volatility.

Whilst the Manager continues to assess investment opportunities, the driving principle continues to be that these opportunities must be yield accretive and synergistic to the Trust and, as a result, there were no changes to the portfolio this year.

## FINANCIAL PERFORMANCE

Starhill REIT recorded revenue of RM110.48 million for the financial year ended 30 June 2009, representing a marginal increase of 2.1% or RM2.3 million compared to RM108.23 million for the previous corresponding financial year ended 30 June 2008. Net income for the year grew to RM355.85 million this financial year, compared to RM81.27 million last year.

Included in income after taxation was a revaluation surplus of RM274.36 million required to be made under fair value accounting standards. The surplus arose from the revaluation of the REIT's properties during the financial year under review, namely, Lot 10, Starhill Gallery, the JW Marriott Hotel Kuala Lumpur and The Residences Properties.

Meanwhile, the growth in recurring revenue and profit was contributed substantially by increases in service charge rates for all tenancies in the retail complexes.

### *Distribution to Unitholders*

On 16 July 2009, the Board of Directors of Pintar Projek declared a Final Distribution of 3.4567 sen per unit in respect of the six months from 1 January 2009 to 30 June 2009, representing approximately 100% of Starhill REIT's net income for the period. The distribution will be paid on 24 August 2009.

The Final Distribution, coupled with the interim distribution of 3.4554 sen per unit declared on 20 January 2009 for the six months ended 31 December 2008, represents a total distribution per unit ("DPU") of **6.9121** sen per unit for the 2009 financial year.

This translates into a yield of **8.64%**, based on Starhill REIT's volume weighted average unit price of RM0.80 per unit for the year ended 30 June 2009. In comparison, the DPU for the previous year ended 30 June 2008 was **6.8936** sen, representing a yield of **8.62%**.

## OPERATIONS REVIEW

Starhill REIT's retail properties, namely Lot 10 and Starhill Gallery, continue to leverage on the Manager's ability to attract and retain high quality tenants, in addition to optimising tenant mix and positioning so as to elevate each property's appeal to consumers and tenants alike. The Manager remains committed to the ongoing development and improvement of the portfolio, not only through asset enhancement, but also through the development of strong business ties with the Trust's tenants and retailers, and this has been critical in enhancing the dynamism of each of the Properties, affording tenants the opportunity to successfully grow their businesses.

For the financial year ended 30 June 2009, the Trust's shopping centres achieved high occupancy rates, ranging between 86.4% and 96.4%. By comparison, the average occupancy rate for shopping centres within Kuala Lumpur was 84.0% in 2008 and 84.90% in 2007.

Lot 10's extensive rebranding and repositioning exercise is well underway and is being completed in stages. The centre's roof-top, previously largely vacant, has been modified to include a two-level gym, high-end food and beverage outlets, an exclusive night club and a new branch of The Actors Studio. A spectacular roof garden is also planned which will provide a unique venue to host launches and lifestyle events.





Starhill Gallery, meanwhile, occupies a niche in the luxury retail market and has differentiated itself through its tenant mix and focus on key areas, including its dedicated 20,000 sq. ft. watch pavilion which features every major luxury watch retailer from around the world. For the second year running, Starhill Gallery hosted its 10-day watch and jewellery showcase, *"A Journey Through Time"*, in December 2008. The showcase attracts the world's leading luxury watch and jewellery brands to the Gallery and serves the dual purpose of bringing the Trust's properties to the attention of a wide global audience of potential tenants and customers.

#### CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is one of the Manager's key values and Pintar Projek places a high priority on acting responsibly in every aspect of its business. The Manager is also part of the wider network of its parent company, YTL Corporation Berhad, which has a long-standing commitment to creating successful, profitable and sustainable businesses. This in turn benefits the surrounding community through the creation of sustained value for unitholders, secure and stable jobs for employees, support for the arts and culture in Malaysia and contributions to promote education for the benefit of future generations.

The Manager believes that effective corporate responsibility can deliver benefits to its businesses and, in turn, to its unitholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term unitholder value.

Every employee of Pintar Projek is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Trust is held to the same standard in its compliance with all applicable legal and regulatory requirements.

The Manager's Statement on Corporate Governance, which also elaborates on Pintar Projek's systems and controls, can be found as a separate section in this Annual Report.

#### OUTLOOK

The year under review proved challenging and the outlook for the domestic retail and hospitality sub-sectors, as well as the wider economy, remains uncertain. Although the global credit and liquidity crisis continues to plague property markets around the world, driving ongoing concerns over valuations and the availability of funding for REITs, the outlook for Starhill REIT remains stable in light of its low gearing levels, high occupancy rates, income from long-term lease structures and proactive management.

The Manager continues to explore opportunities to expand and diversify the REIT's portfolio but will continue to adhere to its strict guidelines on the quality and income growth prospects of such potential acquisitions.

As the Manager embarks on another year and remains focused on developing and improving the Trust's assets and earnings growth, the Board of Directors of Pintar Projek would like to thank Starhill REIT's investors, customers, tenants, business associates and regulatory authorities, for their continued support.

**TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING**  
PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP

13 August 2009

## Corporate Events



4-14 DECEMBER 2008

### "A JOURNEY THROUGH TIME II" AT STARHILL GALLERY

The grand opening of "A Journey Through Time II" was launched at Starhill Gallery by Dato' Sri Azalina Dato' Othman Said, Malaysia's Minister of Tourism, and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd. A global luxury watch and jewellery showcase, "A Journey Through Time II" was organised in collaboration with Tourism Malaysia and endorsed by Ministry of Tourism, and featured a string of exclusive events over the 10-day period.



*From left to right:* Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, multiple Grammy Award-winner Sting and Cynthia Lawrence attending a performance by Russell Watson, held in conjunction with "A Journey Through Time II".



Starhill Gallery's Watch Award Night 2008 marked the culmination of "A Journey Through Time II", featuring over 150 luxury watch and jewellery brands from around the world.



Guillaume Willk-Fabia (*far left*) of Van Cleef & Arpels accepting the coveted Tourism Malaysia Most Revered Watch Award 2008. The award was presented by Dato' Dr Ong Hong Peng, Secretary General of Ministry of Tourism Malaysia, for The Van Cleef & Arpels Midnight in Kuala Lumpur, a unique timepiece which replicates a map of stars as seen in the Kuala Lumpur night sky.

14 DECEMBER 2008

**UNVEILING OF BEDAT & CO'S 1ST BOUTIQUE**

Seri Paduka Baginda Permaisuri Agong Tuanku Nur Zahirah officiated the opening at Starhill Gallery of the first Bedat & Co boutique in the world. Originating from Geneva, Switzerland, Bedat & Co, which is part of the Gucci Group, has firmly established itself as a brand that embodies Swiss watch-making mastery.

*From left to right:* Ms Vivienne Frankhauser, Mr Frank Low, Seri Paduka Baginda Permaisuri Agong Tuanku Nur Zahirah, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Soo Min and Dato' Dr Ng Yen Yen, Malaysia's Minister of Women, Family and Community Development.



19 FEBRUARY 2009

**FIRST-EVER STEINWAY LYNGDORF SHOW SUITE STARHILL GALLERY**

Steinway Lyngdorf, the designer and manufacturer of high performance music systems, opened its first-ever show suite at Starhill Gallery. The show suite features the Model-D – a signature product, which is named after Steinway's famous concert grand piano and is among the first completely digital, ultra high-end audio systems in the world.

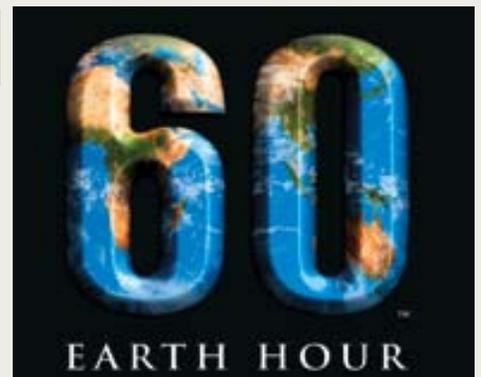
*From left to right:* Dato' Francis Sew, Dato' Mokhzani Mahathir, Mr Peter Lyngdorf, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Ms Suguna Madhavan, Dato' Jimmy Choo and Dato' Dr Sheikh Muszaphar Shukor.



28 MARCH 2009

**STARHILL REIT PARTICIPATES IN EARTH HOUR 2009**

Starhill REIT's properties – Lot 10, Starhill Gallery, The Residences Properties and the JW Marriott Hotel Kuala Lumpur – participated in WWF-Malaysia's Earth Hour 2009, turning their lights off for one hour to mark the importance of protecting the environment. Events held at Lot 10 and Starhill Gallery included performances by Tree Theatre Group, a story-telling session by Dato' Dr Sheikh Muszaphar Shukor and performances by Sean Ghazi, Deanna Yusoff, Jes Ebrahim and Wayang Lampu by Five Arts Centre.



17 APRIL 2009

**DAVIDOFF OPENS 1ST BOUTIQUE IN THE WORLD AT STARHILL GALLERY**

Luxury brand, Davidoff, launched its first flagship store in the world at Starhill Gallery. Davidoff is renowned for the luxury and style of its travelling bags and luggage, leather goods and uniquely designed watches.

*Beginning 4th from left:* Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Christian Schaffner and Dato' Francis Sew at the Davidoff launch.



**MANAGER**

**Pintar Projek Sdn Bhd**

**MANAGER'S REGISTERED OFFICE/  
PRINCIPAL PLACE OF BUSINESS**

11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel: 603-2117 0088/603-2142 6633  
Fax: 603-2141 2703

**BOARD OF DIRECTORS OF THE MANAGER**

*Chief Executive Officer*

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping**  
PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP  
Hon DEng (Kingston), BSc (Hons)  
Civil Engineering  
FFB, F Inst D, MBIM, RIM

*Executive Directors*

**Dato' Hj Mohamed Zainal Abidin Bin  
Hj Abdul Kadir**  
DPMP, PMP, AMN, PPN, PJK, OSTJ, JP

**Dato' Yeoh Seok Kian**  
DSSA  
BSc (Hons) Bldg, MCIQB, FFB

*Independent Non-Executive Directors*

**Dato' (Dr) Yahya Bin Ismail**  
DPMJ, DPCM, DPMP, KMN, PPT  
Bachelor of Veterinary Science

**Eu Peng Meng @ Leslie Eu**  
BCom, FCILT

**MANAGEMENT TEAM**

**Datin Kathleen Chew Wai Lin**  
Legal Advisor

**Ho Say Keng**  
Accountant/Company Secretary

**Eoon Whai San**  
General Manager

**COMPANY SECRETARY OF THE  
MANAGER**

**Ho Say Keng**

**PROPERTY MANAGER**

**Azmi & Co Building Services Sdn Bhd**  
A9-1-1, Jalan Ampang Utama 2/2  
One Ampang Business Avenue  
68000 Ampang  
Selangor Darul Ehsan  
Tel: 603-4256 6868  
Fax: 603-4256 2266

**TRUSTEE**

**Mayban Trustees Berhad**  
34th Floor, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Tel: 603-2078 8363  
Fax: 603-2070 9387  
Email: mtb@maybank.com.my

**REGISTRAR**

**Pintar Projek Sdn Bhd**  
11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel: 603-2117 0088/603-2142 6633  
Fax: 603-2141 2703

**AUDITORS**

**HLB Ler Lum (AF 0276)**  
Chartered Accountants  
(A member of HLB International)

**PRINCIPAL FINANCIERS**

**Great Eastern Life Assurance  
(Malaysia) Berhad**  
**OCBC Bank (Malaysia) Berhad**

**STOCK EXCHANGE LISTING**

**Bursa Malaysia Securities Berhad**  
Main Market (16.12.2005)

## TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 54, has been the Chief Executive Officer and Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Tan Sri Francis studied at Kingston University, UK, where he obtained a Bachelor of Science (Hons) in Civil Engineering and was conferred an Honorary Doctorate of Engineering in 2004. He became the Managing Director of YTL Corporation Berhad Group in 1988 which under his stewardship, has grown from a single listed entity into a force comprising six listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and Starhill Real Estate Investment Trust. He is presently Managing Director of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad and YTL Cement Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad. Tan Sri Francis is also the Executive Chairman of YTL e-Solutions Berhad, which is listed on the ACE Market of Bursa Malaysia Securities Berhad, and YTL Pacific Star REIT Management Limited, which is the manager for Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). Besides the listed entities in YTL Group, Tan Sri Francis also sits on the board of several public companies such as YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited.

He is a Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council. He is also a member of The Nature Conservancy Asia Pacific Council, the Asia Business Council and Trustee of the Asia Society. He is also a member of the Advisory Council of London Business School, Wharton School and INSEAD.

He was ranked by both Fortune Magazine and Business Week Magazine as Asia's 25 Most Powerful and Influential Business Personalities. He won the inaugural Ernst & Young's Master Entrepreneur in Malaysia in 2002 and CNBC Asia Pacific named him Malaysia CEO of the Year in 2005.

He was appointed as member of Barclays Asia-Pacific Advisory Committee in 2005. In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II. In 2008, he was appointed Chairman for South East Asia of the International Friends of the Louvre and he also received a prestigious professional accolade when made a Fellow of the Institute of Civil Engineers in London. He was named one of Asia's Top Executives in 2008 by Asiamoney.

## DATO' YEOH SEOK KIAN

Malaysian, aged 51, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh is a Fellow of the Faculty of Building, United Kingdom as well as a Member of the Chartered Institute of Building (UK). He is presently the Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad and Executive Director of YTL Land & Development Berhad and YTL Cement Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad. Dato' Yeoh also serves on the board of several other public companies such as YTL Industries Berhad, The Kuala Lumpur Performing Arts Centre and private utilities company, Wessex Water Limited, as well as YTL Pacific Star REIT Management Limited, which is the manager for Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

## DATO' (DR) YAHYA BIN ISMAIL

Malaysian, aged 81, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 18 May 2005. He was formerly with the Government and his last appointment was the Director General of the National Livestock Authority Malaysia. He was also with the Totalisator Board Malaysia from 1982 to 1990 and served as its Chairman since 1986. Dato' Yahya is a Director of YTL Corporation Berhad and YTL Power International Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of Metroplex Berhad since 1993.

## Profile of the Board of Directors

### DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 69, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981. Dato' Hj Mohamed Zainal Abidin also sits on the Board of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sdn Bhd.

### EU PENG MENG @ LESLIE EU

Malaysian, aged 74, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Mr Leslie Eu graduated with a Bachelor of Commerce degree from the Republic of Ireland. He is a Fellow of the Chartered Institute of Logistics and Transport and was one of the founding directors of Global Maritime Ventures Berhad. He has been in the shipping business for more than 40 years. He was the first Chief Executive Officer of Malaysian International Shipping Corporation Berhad from the company's inception in 1969 until his early retirement in 1985. He was a Board Member of Lembaga Pelabuhan Kelang from 1970 to 1999. In 1995, he was presented the Straits Shipper Transport Personality award by the Minister of Transport. He was appointed by the United Nations Conference on Trade and Development as one of the 13 experts to assist the developing nations in establishing their maritime fleets. Mr Leslie Eu presently serves on the board of several public companies such as YTL Corporation Berhad, YTL Cement Berhad and YTL Land & Development Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad and Lloyd's Register of Shipping (Malaysia) Bhd.

### DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, a total of 4 Board meetings were held and the details of attendance are as follows:-

	Attendance
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	4
Dato' Yeoh Seok Kian	3
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	2
Dato' (Dr) Yahya Bin Ismail	4
Eu Peng Meng @ Leslie Eu	4

#### Notes:

- Family Relationship with Director and/or Major Unitholder**  
 Tan Sri Dato' (Dr) Francis Yeoh Sock Ping is the brother of Dato' Yeoh Seok Kian. Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, the father of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping and Dato' Yeoh Seok Kian, is a deemed major shareholder of YTL Corporation Berhad which is a major unitholder of Starhill REIT. Save as disclosed, none of the Directors has any family relationship with any director and/or major unitholder of Starhill REIT.
- Conflict of Interest**  
 Save for the Director's interest in Starhill REIT (as disclosed under Directors' Interests in the Manager's Report) and the transactions with companies related to the Manager (as disclosed in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.
- Conviction of Offences**  
 None of the Directors has been convicted of any offences in the past ten (10) years.

Starhill Real Estate Investment Trust (“Starhill REIT” or “Trust”) was established on 18 November 2005 pursuant to a trust deed (“Deed”) entered into between Pintar Projek Sdn Bhd (“PPSB” or “Manager”) and Mayban Trustees Berhad (“Trustee”). Starhill REIT has been listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) since 16 December 2005.

The Board of Directors of PPSB (“Board”) is firmly committed to ensuring that the Manager implements and operates good corporate governance practices in its management of the Trust. In developing its system of corporate governance, the Directors have been guided by the measures set out in the Guidelines on Real Estate Investment Trusts issued by the Securities Commission (“REIT Guidelines”), the Listing Requirements of Bursa Securities (“Listing Requirements”) and the Malaysian Code on Corporate Governance (“Code”).

## THE ROLE OF THE MANAGER

Starhill REIT is managed and administered by the PPSB, who has the primary objectives of: (a) providing unitholders of the Trust (“Unitholders”) with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties; and (b) enhancing the long-term value of Starhill REIT’s units (“Units”).

The Manager is required to ensure that the business and operations of Starhill REIT are carried on and conducted in a proper, diligent and efficient manner, and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete powers of management and must manage the Starhill REIT (including all assets and liabilities of Starhill REIT) for the benefit of its Unitholders.

The Board recognises that an effective corporate governance framework is critical in order to achieve these objectives, to fulfil its duties and obligations and to ensure that Starhill REIT continues to perform strongly.

The general functions, duties and responsibilities of the Manager include the following:

- (a) to manage Starhill REIT’s assets and liabilities for the benefit of Unitholders;
- (b) to be responsible for the day-to-day management of Starhill REIT;
- (c) to carry out activities in relation to the assets of Starhill REIT in accordance with the provisions of the Deed;
- (d) to set the strategic direction of Starhill REIT and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of Starhill REIT;
- (e) to issue an annual report and quarterly reports of Starhill REIT to Unitholders within 2 months of Starhill REIT’s financial year end and the end of the periods covered, respectively; and
- (f) to ensure that Starhill REIT is managed within the ambit of the Deed, the Securities Commission Act and other securities laws, the Listing Requirements, the REIT Guidelines and other applicable laws.

## CONFLICTS OF INTEREST

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that Starhill REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing Starhill REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders.

In order to deal with any conflict-of-interest situations that may arise, the Manager’s policy is that all transactions carried out for or on behalf of Starhill REIT are to be executed on terms that are the best available to Starhill REIT and which are no less favourable than on arm’s length transactions between independent parties.

Cash or other liquid assets of Starhill REIT may only be placed in a current or deposit account if: (a) the party is an institution licensed or approved to accept deposits; and (b) the terms of the deposit are the best available for Starhill REIT and are no less favourable to Starhill REIT than an arm’s length transaction between independent parties.

The Manager may not act as principal in the sale and purchase of real estate, securities and any other Assets to and from Starhill REIT. “Acting as principal” includes a reference to:

- (a) dealing in or entering into a transaction on behalf of a person associated with the Manager;
- (b) acting on behalf of a corporation in which the Manager has a controlling interest; or
- (c) the Manager acting on behalf of a corporation in which the Manager’s interest and the interests of its Directors together constitute a controlling interest.

In addition, the Manager must not, without the prior approval of the Trustee, invest any funds available for investment under the Deed in any securities, real estate or other assets in which the Manager or any officer of the Manager has a financial interest or from which the Manager or any officer of the Manager derives a benefit.

**RELATED PARTY TRANSACTIONS**

In dealing with any related party transactions that may arise, it is the Manager's policy that no real estate may be acquired from, or disposed to, a related party of the Manager unless the criteria set out in (a) to (c) below are satisfied and the procedures described further below are complied with:

- (a) (i) a valuation must be undertaken of the real estate by an approved valuer, in accordance with the Deed, and a valuation report given to the Trustee;
- (ii) the date of valuation must not be more than 6 months before the date of the proposed acquisition or disposal;
- (iii) since the last valuation date, no circumstances must have arisen to materially affect the valuation;
- (iv) the valuation must not have been revised by the SC pursuant to the REIT Guidelines;
- (b) the real estate must be transacted at a price as assessed below:
  - (i) in the case of acquisitions, not more than the value assessed in the valuation report referred to in (a) above;
  - (ii) in the case of disposals, not less than 90% of the value assessed in the valuation report referred to in (a) above; and
- (c) the consent of the Trustee must be obtained if it has not already been obtained.

An announcement must be made by the Manager to the Unitholders prior to the acquisition or disposal of real estate, providing full details of the proposed transaction, the value of the real estate as assessed by an approved valuer, whether the consent of the Trustee and the SC, where applicable, has been obtained and the acquisition or disposal price.

Where the transaction is conditional upon the approval of Unitholders, such approval must be sought prior to completion of the transaction. The Trustee must ensure that the prior approval of Unitholders is obtained at a general meeting, held specifically for that purpose, in the following circumstances:

- (a) where the real estate is to be acquired or disposed of at a price other than that at a price assessed by reference to the valuation report; and
- (b) a disposal which exceeds 50% of the gross asset value (on a per-transaction basis).

In this regard, the Manager adheres strictly to the provisions of the REIT Guidelines which prohibit the Manager and its related parties from voting their Units at any meeting of Unitholders convened unless an exemption is obtained from the SC.

**BOARD STRUCTURE**

The Manager is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of the Manager and have adopted the six primary responsibilities as listed in the Code as well as the roles and duties set out in the REIT Guidelines, all of which facilitate the discharge of the Directors' stewardship responsibilities.

The Board currently has five Directors comprising three executive members and two non-executive members, both of whom are independent. This is in compliance with the requirement for at least one-third of the Board to be independent.

The presence of Independent Non-Executive Directors brings a critical element of balance to the Board and these Independent Non-Executive Directors must be of the calibre necessary to carry sufficient weight in the Board's decisions. The differing roles of Executive and Non-Executive Directors are delineated, both having fiduciary duties to Unitholders. Executive Directors have a direct responsibility for business operations whereas Non-Executive Directors have the necessary skill and experience to bring an independent judgement to bear on issues of strategy, performance and resources.

The Executive Directors are responsible for the Manager's operations and for ensuring that the strategies proposed by the executive management are fully discussed and examined, and take account of the long term interests of the Unitholders. Together, the Directors possess the wide range of business, commercial and financial experience essential for the management and direction of its operations.

**BOARD MEETINGS & ACCESS TO INFORMATION**

Board meetings are scheduled at least four times per annum to review the operations of Starhill REIT and to approve the interim and annual financial statements of Starhill REIT. The Board met four times during the financial year ended 30 June 2009.

The Directors have full and unrestricted access to all information pertaining to the business and affairs of Starhill REIT, both as a full Board and in their individual capacity, to enable them to discharge their duties. There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Manager is firmly in its hands.

Prior to Board meetings, all Directors receive the agenda together with a full set of Board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations/clarifications, where necessary, in order to be properly briefed before the meetings. A record of the Board's deliberations of the issues discussed and conclusions reached in discharging its duties and responsibilities is captured in the minutes of each meeting, prepared by the Company Secretary.

All Directors have full access to the advice and services of the Company Secretary who ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations.

#### APPOINTMENTS TO THE BOARD

The appointment of Directors is undertaken by the Board as a whole. The Chief Executive Officer makes recommendations on the suitability of candidates nominated for appointment to the Board and, thereafter, the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the Manager. In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, expertise and experience of the proposed candidate.

#### DIRECTORS' REMUNERATION

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract and retain Directors of the calibre needed to successfully carry on the Manager's operations.

In general, the component parts of remuneration are structured so as to link rewards to performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the particular non-executive concerned.

#### DIRECTORS' TRAINING

The Directors are fully cognisant of the importance and value of attending seminars, training programmes and conferences in order to update themselves on developments and changes in the REIT industry, as well as wider economic, financial and governance issues to enhance their skills, knowledge and expertise in their respective fields. All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

Throughout the financial year under review, the Directors attended various conferences, programmes and speaking engagements covering areas that included corporate governance, leadership, updates on the REIT industry and global business developments.

#### INTERNAL AUDIT

The Manager's internal audit function is undertaken by the Internal Audit department of its parent company, YTL Corporation Berhad ("YTLIA"). YTLIA reports directly to the Audit Committee of YTL Corporation Berhad and to the Board on matters pertaining to the Manager and the Trust.

The activities of the internal audit function during the year under review included:-

- Developing the annual internal audit plan and proposing this plan to the Board;
- Conducting scheduled internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements where necessary;
- Conducting follow-up reviews to assess if appropriate action has been taken to address issues highlighted in audit reports; and
- Presenting audit findings to the Board for consideration.

None of the weaknesses or issues identified during the review for the financial year has resulted in non-compliance with any relevant policies or procedures, listing requirements or recommended industry practices that would require disclosure in the Company's Annual Report.

The Manager's system of internal control will continue to be reviewed, enhanced and updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by YTLIA. The Board is of the view that the current system of internal control in place is effective to safeguard the interests of Starhill REIT.

### FINANCIAL REPORTING

The Directors are responsible for ensuring that financial statements of the Trust are drawn up in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act 1965, the REIT Guidelines and the Deed. In presenting the financial statements, the Manager has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the position and prospects of Starhill REIT. Interim financial statements are reviewed and approved by the Directors prior to release to the relevant regulatory authorities.

### RELATIONSHIP WITH THE AUDITORS

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the auditors of Starhill REIT. Starhill REIT's auditors report their findings to members of the Board as part of the audit process on the statutory financial statements each financial year. From time to time, the auditors highlight matters that require attention to the Board.

### COMMUNICATION WITH UNITHOLDERS AND INVESTORS

The Manager values dialogue with unitholders and investors as a means of effective communication that enables the Board to convey information about Starhill REIT's performance, corporate strategy and other matters affecting unitholders' interests. The Board recognises the importance of timely dissemination of information to shareholders and accordingly ensures that they are well informed of any major developments of Starhill REIT.

Such information is communicated through the annual report, the Trust's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website, [www.starhillreit.com](http://www.starhillreit.com).

The Chief Executive Officer meets with analysts, institutional unitholders and investors throughout the year to provide updates on strategies and new developments. However, price-sensitive information and information that may be regarded as undisclosed material information about Starhill REIT is not disclosed in these sessions until after the requisite announcements to Bursa Securities have been made.

This statement was approved by the Board on 16 July 2009.

Size of holding	No. of Unitholders	%	No. of Units	%
1 – 99	28	0.51	832	0.00
100 – 1,000	1,528	27.56	1,427,768	0.12
1,001 – 10,000	2,555	46.08	13,058,900	1.11
10,001 – 100,000	1,191	21.48	42,460,600	3.60
100,001 – to less than 5% of issued units	240	4.33	377,544,300	32.03
5% and above of issued units	2	0.04	744,396,489	63.14
<b>Total</b>	<b>5,544</b>	<b>100.00</b>	<b>1,178,888,889</b>	<b>100.00</b>

## THIRTY LARGEST UNITHOLDERS (as per Record of Depositors)

Name	No. of Units	%
1 YTL Corporation Berhad	670,280,889	56.86
2 YTL Corporation Berhad	74,115,600	6.29
3 Employees Provident Fund Board	49,883,100	4.23
4 Valuecap Sdn Bhd	32,005,600	2.71
5 Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL PAR)	29,243,000	2.48
6 DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt An for Deutsche Bank AG Singapore (PWM Asing)	27,791,000	2.36
7 YTL Power International Berhad	20,496,900	1.74
8 Cartaban Nominees (Asing) Sdn Bhd - RBC Dexia Investor Services Bank for Robeco Emerging Marketsecurities (EUR-RCGF)	20,000,000	1.70
9 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for American International Assurance Berhad	16,900,000	1.43
10 HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (Kuwait)	15,000,000	1.27
11 YTL Power International Berhad	14,628,000	1.24
12 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for Prudential Assurance Management Berhad	8,513,800	0.72
13 YTL Power International Berhad	7,964,600	0.68
14 HSBC Nominees (Asing) Sdn Bhd - Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	7,273,000	0.62
15 Amanah Raya Sdn Bhd - Kumpulan Wang Bersama	5,041,700	0.43
16 Citigroup Nominees (Asing) Sdn Bhd - UBS AG for NPJ Global Opportunities Master Fund (Pledged)	4,920,100	0.42
17 Kurnia Insurans (Malaysia) Berhad	4,250,000	0.36
18 Kurnia Insurans (Malaysia) Berhad	4,000,000	0.34
19 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for Alternative LP	3,497,930	0.30

Name	No. of Units	%
20 Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	3,100,000	0.26
21 Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chin Kiam Hsung	3,043,500	0.26
22 Kurnia Insurans (Malaysia) Berhad	3,000,000	0.25
23 Mayban Nominees (Tempatan) Sdn Bhd - Mayban Life Assurance Berhad (PAR Fund)	2,984,200	0.25
24 Mayban Nominees (Tempatan) Sdn Bhd - Mayban Life Assurance Berhad (Non-PAR Fund)	2,940,200	0.25
25 YTL Corporation Berhad	2,687,700	0.23
26 Law Chin Wat	2,620,000	0.22
27 Chow Yook Hey @ Chow Yoke Pui	2,321,700	0.20
28 Hong Leong Assurance Berhad - As Beneficial Owner (Life Non PAR)	2,200,000	0.19
29 Hong Leong Bank Berhad	2,200,000	0.19
30 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for LACV Limited	2,115,070	0.18
<b>Total</b>	<b>1,045,017,589</b>	<b>88.66</b>

**SUBSTANTIAL UNITHOLDERS** (as per Record of Depositors)

Name	No. of Units Held			
	Direct	%	Indirect	%
YTL Corporation Berhad	747,084,189	63.37	43,089,500*	3.66

\* Deemed interested by virtue of its interests in YTL Power International Berhad pursuant to section 6A of the Companies Act, 1965.

## Statement of Interests

of Directors of the Manager

**STATEMENT OF INTERESTS OF DIRECTORS OF PINTAR PROJEK SDN BHD** in Starhill Real Estate Investment Trust as at 15 July 2009

Name	No. of Units Held			
	Direct	%	Indirect	%
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	0.07	-	-
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	20,000	*	-	-
Eu Peng Meng @ Leslie Eu	20,000	*	-	-

\* Negligible

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# Manager's Report

The Directors of Pintar Projek Sdn. Bhd., the Manager of Starhill Real Estate Investment Trust ("Starhill REIT" or "Trust"), is pleased to present their Report to the Unitholders of Starhill REIT together with the audited financial statements of Starhill REIT for the financial year ended 30 June 2009.

## PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

## THE TRUST AND ITS INVESTMENT OBJECTIVE

Starhill REIT was established on 18 November 2005 pursuant to a trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 (collectively referred to as "Deed") between the Manager and Mayban Trustees Berhad ("Trustee") and is categorised as a real property fund.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 16 December 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. At the end of financial year ended 30 June 2009, Starhill REIT owns 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Parcels"), Starhill Gallery, JW Marriott Hotel Kuala Lumpur, and part of The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences Properties") (Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties are collectively referred to as "Properties").

## BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio ("MER")

	2009	2008
MER for the financial year	0.31%	0.34%

MER is calculated based on the total of all the fees and expenses incurred by Starhill REIT in the financial year and deducted directly from the income (including the manager's fees, the trustee's fee, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Trust (including the costs of printing, stationery and postage), to the average net asset value of the Trust during the financial year calculated on a daily basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Starhill REIT's MER against other real estate investment trusts.

## DISTRIBUTION POLICY

Pursuant to the Deed, it is the policy of the Manager to distribute at least 90% of the distributable income for each financial year.

## COMPOSITION OF INVESTMENT PORTFOLIO

As at the balance sheet date, Starhill REIT's composition of investment portfolio is as below:-

	RM'000	%
<b>Real Estate - Commercial</b>		
Lot 10 Parcels	402,304	26
Starhill Gallery	667,897	43
JW Marriott Hotel Kuala Lumpur	335,000	22
The Residences Properties	145,000	9
	<b>1,550,201</b>	<b>100</b>

**BREAKDOWN OF UNITHOLDINGS**

The analysis of unitholdings of Starhill REIT at balance sheet date:-

Unit class	No. of Unitholders	%	No. of Units held	%
Less than 100	28	0.51	832	0.00
100 to 1,000	1,531	27.70	1,430,968	0.12
1,001 to 10,000	2,544	46.04	12,992,000	1.10
10,001 to 100,000	1,180	21.35	42,193,600	3.58
100,001 to less than 5% of issued units	241	4.36	377,875,000	32.06
5% and above of issued units	2	0.04	744,396,489	63.14
	5,526	100.00	1,178,888,889	100.00

**INVESTMENT PORTFOLIO**

The details of the Properties as at the balance sheet date are as follow:-

**Lot 10 Parcels**

Address/Location	50, Jalan Sultan Ismail, 50250 Kuala Lumpur.
Description	137 parcels and 2 accessory parcels of retail, office, storage and other spaces within a shopping centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor.
Property type	Shopping centre
Age	Approximately 19 years
Title details	Pajakan Negeri No. 11008 for Lot No. 1247, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and the usage of land is restricted to commercial buildings and/or residential properties.
Tenure	The land is a 99-year leasehold land expiring 29 July 2076.
Status of holdings	Leasehold (Approval obtained in 30 July 1977)
Unexpired lease remaining period	67 years
Net lettable area	250,736 square feet
Existing use	Commercial building
Average occupancy rates	86.43%
Parking spaces	529 bays
Major tenants (based on monthly rental payable)	(a) YTL Land Sdn. Bhd. (b) Autodome Sdn. Bhd. (c) F.J. Benjamin Fashions Sdn. Bhd.
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Maintenance cost and capital expenditure	Maintenance costs incurred amounted to RM5,164,608 and RM168,623 incurred in capital expenditure.
Date of acquisition	16 December 2005
Cost of acquisition	RM341,000,000
Market value	RM402,000,000
Date of last valuation	1 March 2008
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM402,303,998

**Starhill Gallery**

Address/Location	181, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Description	Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements.
Property type	Shopping centre
Age	Approximately 14 years
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Net lettable area	297,439 square feet
Existing use	Commercial building
Average occupancy rates	96.38%
Parking spaces	1,162 bays
Major tenants (based on monthly rental payable)	(a) Autodome Sdn. Bhd. (b) Mystique Universal Sdn. Bhd. (c) Cortina Watch Sdn. Bhd.
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Maintenance costs and capital expenditure	Maintenance costs amounted to RM6,480,000 and RM573,176 incurred in capital expenditure.
Date of acquisition	16 December 2005
Cost of acquisition	RM480,000,000
Market value	RM667,360,000
Date of last valuation	1 March 2008
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM667,897,176

**JW Marriott Hotel Kuala Lumpur**

Address/Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Description	A 5 star hotel with 561 rooms located on part of a 8-level podium block and the entire 24-level tower block of Starhill Gallery.
Property type	Hotel
Age	Approximately 12 years
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Sole tenant	Star Hill Hotel Sdn. Bhd.
Tenancy period	The property is leased for a term expiring on 31 December 2023.
Date of acquisition	16 December 2005
Cost of acquisition	RM329,000,000
Market value	RM335,000,000
Date of last valuation	1 March 2008
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM335,000,000

**The Residences Properties**

Address/Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67 Off Jalan Imbi, 55100 Kuala Lumpur.
Description	60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car park.
Property type	Serviced apartment
Age	Approximately 4 years
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	There is no registered encumbrance
Status of holdings	Freehold
Existing use	Commercial building
Sole tenant	Star Hill Hotel Sdn. Bhd.
Tenancy period	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	16 May 2007
Cost of acquisition	RM125,000,000
Market value	RM145,000,000
Date of last valuation	12 June 2009
Net book value	RM145,000,000

**MATERIAL CONTRACTS**

The detail of the material contracts entered involving the Manager and the major unitholders' interests, still subsisting at the end of the balance sheet date are as follow:-

Name	Pintar Projek Sdn. Bhd.
Date of agreement	18 November 2005
General nature	Trust deed
Consideration passing from the Trust	As disclosed in Note 5 to the Financial Statements
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	70% owned subsidiary company
Name	Star Hill Hotel Sdn. Bhd.
Date of agreement	8 March 2005 and 18 October 2006
Deed of novation	16 December 2005 and 16 May 2007
General nature	Agreement for lease
Consideration passing to the Trust	Total monthly rental of RM2,495,500
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company
Name	Star Hill Hotel Sdn. Bhd.
Date of agreement/letter of offer	16 October 2007
General nature	Tenancy agreement
Consideration passing to the Trust	Monthly rental of RM12,168
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company
Name	Autodome Sdn. Bhd.
Date of agreement/letter of offer	Between 7 March 2007 and 17 March 2009
General nature	Tenancy agreement
Consideration passing to the Trust	Total monthly rental of RM1,754,125
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company
Name	YTL Land Sdn. Bhd.
Date of agreement	18 November 2005
General nature	Car park agreement
Consideration passing to the Trust	Monthly fee of RM437,500
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

Name	YTL Land Sdn. Bhd.
Date of agreement/letter of offer	13 January 2009 and 8 July 2009
General nature	Tenancy agreement
Consideration passing to the Trust	Total monthly rental of RM891,414
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

### PERFORMANCE OF THE TRUST

	2009 RM'000	2008 RM'000
Net revenue	110,483	108,228
Income before tax	355,847	81,268
Income after tax	355,847	81,268

For the financial year ended 30 June 2009, the Trust recorded RM110.483 million and RM355.847 million of revenue and income before tax respectively, representing an increase of 2.08% and 337.87% compared to RM108.228 million and RM81.268 million of revenue and income before tax respectively recorded in the previous financial year ended 30 June 2008. Included in the income before tax was the fair value adjustment on investment properties amounting to RM274.360 million, in respect of the revaluation surplus that arose from the revaluation of investment properties, namely Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties. The revaluation surplus is an unrealised income and it is not available for distribution. The increase in revenue was mainly contributed by increase in service charge rate for all tenancies in July 2008. However, the increase in revenue of 2.08% for the year under review was offset by an increase in property operating expenses which resulted in a marginal increase of 0.27% in the Trust's income before tax (before fair value adjustment on investment properties amounting to RM274.360 million) to RM81.487 million from RM81.268 million recorded in the preceding financial year.

### DISTRIBUTION OF INCOME

An interim distribution of income (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act 1967) of 3.4554 sen per unit (of which 2.5137 sen is taxable and 0.9417 sen is non-taxable in the hands of unitholders) amounting to RM40,735,327 representing approximately 100% of the realised and distributable income after tax was paid on 26 February 2009 in respect of the six months financial period from 1 July 2008 to 31 December 2008.

The Manager has declared a final income distribution (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act 1967) of 3.4567 sen per unit (of which 2.5754 sen is taxable and 0.8813 sen is non-taxable in the hands of unitholders), totaling RM40,750,652, representing approximately 100% of the realised and distributable income after tax in respect of the six months financial period from 1 January 2009 to 30 June 2009.

Total distribution paid and declared for the financial year ended 30 June 2009 is 6.9121 sen per unit, totaling RM81,485,979, which translates to a yield of 8.64% based on the twelve months weighted average market price of RM0.80 as at 30 June 2009.

The effect of the income distribution in terms of the net asset value per unit as at 30 June 2009 is as follows:-

Net asset value ("NAV")

	Before distribution RM	After distribution RM
NAV per unit	1.274	1.205

**ANALYSIS OF NET ASSET VALUE SINCE THE LAST FINANCIAL YEAR ENDED 30 JUNE 2008****At 30 June**

Total net asset value (RM'000)  
Net asset value per unit (RM)

	2009	2008
Total net asset value (RM'000)	1,420,257	1,145,896
Net asset value per unit (RM)	1.205	0.972

The increase in total net asset value was mainly contributed by the revaluation surplus that arose from the revaluation of investment properties, namely Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties. The revaluation surplus is an unrealised income and it is not available for distribution.

**ANALYSIS OF CHANGES IN PRICES SINCE THE LAST FINANCIAL YEAR ENDED 30 JUNE 2008**

The Trust's units traded at RM0.85 per unit at the beginning of the financial year ended 30 June 2009 and ended the year marginally lower at RM0.83 per unit, with a volume weighted average price for the financial year of RM0.80 per unit. During the financial year under review, the Trust's unit price reached a high of RM0.89 per unit and a low of RM0.70 per unit, and traded largely in line with the Kuala Lumpur Composite Index (now known as the FTSE Bursa Malaysia).

**MANAGER'S INVESTMENT STRATEGIES AND POLICIES****INVESTMENT STRATEGIES**

During the financial year, the Manager continued to carry out the following investment strategies in order to achieve Starhill REIT's business objectives:-

**(i) Operating Strategy**

The Manager's operating strategy is to continue to enhance the performance of the Properties by increasing yields and returns from the Properties through a combination of retaining existing tenants, reducing vacancy levels, adding and/or optimising retail/office space at the Properties and minimising interruptions in rental income and operational costs. In carrying out this operating strategy, the Manager will continue to apply the following key operating and management practices:-

- (a) optimising rental rates via active management of tenancies renewals and new tenancies;
- (b) maintaining good relationships with tenants to optimise tenant retention;
- (c) actively working with the property manager to pursue new tenancy opportunities;
- (d) optimising the tenant mix and space configuration;
- (e) continuously reviewing the tenant mix and if practicable, reconfiguring lettable space; and
- (f) continuously maintaining the quality of the Properties.

**(ii) Acquisition Strategy**

The Manager seeks to increase cash flow and enhance unit value through selective acquisitions. This acquisition strategy takes into consideration:-

- (a) location;
- (b) occupancy and tenant mix;
- (c) building and facilities specifications;
- (d) opportunities; and
- (e) yield thresholds.

The Manager also has access to networks and relationships with leading participants in the real estate and hotel industry which may assist Starhill REIT in identifying (a) acquisition opportunities to achieve favourable returns on invested capital and growth in cashflow; and (b) underperforming assets.

The Manager intends to hold the Properties on a long-term basis. However, in the future where the Manager considers that any property has reached a stage that offers only limited scope for growth, the Manager may consider selling the property and using the proceeds for alternative investments in properties that meet their investment criteria.

### (iii) Capital Management Strategy

The Manager optimises Starhill REIT's capital structure and cost of capital within the borrowing limits prescribed by the Guidelines on Real Estate Investment Trusts issued by the Securities Commission ("SC") ("REIT Guidelines") via a combination of debt and equity funding for future acquisitions and improvement works at the Properties. This capital management strategy involves:-

- (a) adopting and maintaining an optimal gearing level; and
- (b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates

while maintaining flexibility in Starhill REIT's capital structure to meet future investment and/or capital expenditure requirements.

## INVESTMENT POLICIES

The Manager will continue to comply with the REIT Guidelines and other requirements as imposed by the SC from time to time and the Deed, including (i) to invest in investment permitted by the SC; (ii) to ensure the investment portfolio requirements and limits imposed by the REIT Guidelines and/or the Deed are adhered to.

The Manager will also ensure that Starhill REIT will not be involved in (i) extending loans and credit facilities to any party; (ii) entering into forward purchases or forward sales in any currencies or any foreign contract; and (iii) property development unless the development has met the criteria imposed by the REIT Guidelines.

## REVIEW OF THE PROPERTY MARKET

During the financial year ended 30 June 2009, Starhill Gallery and Lot 10 Parcels owned by Starhill REIT recorded satisfactory average occupancy rates of 96.38% and 86.43% respectively which are relatively higher than the average occupancy rate for shopping centres in Kuala Lumpur of 84.0% in 2008, a decrease from 84.9% in 2007. (Source: *Property Market Report 2008, Valuation and Property Services Department, Ministry of Finance, NAPIC*).

The high occupancy rates are the testimony of quality and yield-accretive Properties owned by Starhill REIT and the success of implementing effective operating and marketing strategies.

## PROSPECTS OF THE MALAYSIAN PROPERTY MARKET

### THE MALAYSIAN ECONOMY

The Malaysian economy expanded 4.6% in 2008 compared to 6.3% in 2007 in line with subdued global economic activities. The services sector though recorded a lower growth of 7.5% in 2008 against 9.7% in 2007 remained the highest contributor backed by growth in wholesale and retail trade as well as accommodation and restaurant sub-sectors. The domestic demand moderated at 6.9% in 2008 from 9.8% in 2007. Per capita income grew at more moderate pace of 5.4% in 2008 compared to 13.9% in 2007 to reach USD14,000 (Source: *Property Market Report 2008, Valuation and Property Services Department, Ministry of Finance, NAPIC*).

The Malaysia economy contracted by 6.2% in the first quarter of 2009 compared to 0.1% in last quarter of 2008, amidst a significant deterioration in external demand, following the deepening recession in advanced economies. During the quarter, domestic demand registered a decline of 2.9% as a result of more cautious spending by businesses and households following the weakening of overall business and economic conditions. Private consumption also declined marginally by 0.7% as expenditure was affected by deteriorating labour market conditions (Source: *Bank Negara, 27 May 2009*).

The inflation rate as measured by the Consumer Price Index (CPI) increased to 4.4% for 2008 compared to 2.0% in 2007. The rate has subsided from the peak of 8.4% recorded in Q3 2008 supported mainly by a series of downward adjustments to fuel price by the Government. The CPI from January to May 2009 increased by 3.3% (Source: *Department of Statistics Malaysia*).

The Overnight Policy Rate was reduced by 75 basis points in January 2009, and a further 50 basis points in February 2009, bringing the Overnight Policy rate to 2.00% in an effort to provide a more supportive monetary environment for the domestic economy.

The government continues to support the economy and has introduced two economic stimulus packages worth a combined RM67 billion to boost the economy and act as a catalyst in stimulating domestic economic activity in the face of the current global financial crisis.

## SHOPPING CENTRES (RETAIL SECTOR)

The performance of shopping centres remained resilient in 2008 with a slight improvement in average occupancy rate at 81.1% from 80.8% in 2007 despite the entry of an additional 472,347 sqm of new retail space resulting in 5.4% increase in total retail space of 9.16 million sqm against 8.70 million sqm in Malaysia as a whole. In addition, the future supply of retail space in the country amounted to 3.53 million sqm out of which more than half of the supply are already under construction (*Source: Property Market Report 2008, Valuation and Property Services Department, Ministry of Finance, NAPIC*).

Total retail space in Kuala Lumpur remained unchanged from 2.13 million sqm accounting for 23.2% of the country's total while the occupancy dropped slightly from 84.9% to 84.0%.

The performance of the retail sector was good in the first half of 2008 with retail sales growth at 6.9% whilst the second half 2008 performance was dampened by soaring inflation and the unprecedented global economic crisis. Nonetheless, the rentals for prime centres in KL City remained stable in the second half of 2008 (*Source: Knightfrank Real Estate highlights Second Half 2008*).

Malaysia's retail sector grew 16.5% in 4th quarter 2008 to RM29.3 billion from RM25.2 billion in 2007 according to Statistics Department.

However, retail sales fell 6.7% to RM29.3 billion from RM31.4 billion in 3rd quarter 2008 (*Source: The Edge Malaysia, 6 April 2009*).

Malaysia's consumer confidence index dropped further to 27.8 for the first half of 2009 from 35.9 second half of 2008 and 36.9 first half of 2008 ago according to the MasterCard Worldwide Index of Consumer Confidence survey.

Retail Group Malaysia has revised the forecast growth for the retail industry for 2009 to 3% from 8%. Sales growth is expected to reach 1% to 2% in the first quarter 2009 and slip into negative for the second quarter but sales is expected to start to recover in the third quarter 2009 (*Source: The Star, 25 February 2009*).

## HOTELS (LEISURE INDUSTRY)

The hotel and retail sub-sectors gained advantage from the Government's effort to promote tourism through various incentives. However the favourable performance enjoyed by the hotel sector in the Visit Malaysia Year 2007 did not sustain in 2008. Despite the increase in tourist arrivals, the average occupancy rate of three to five star hotels fell from 62.5% in 2007 to 56.5% in 2008 (*Source: Property Market Report 2008, Valuation and Property Services Department, Ministry of Finance, NAPIC*).

The tourist arrival nevertheless continued to grow albeit at a lower rate. A total of 22.05 million tourist arrival were recorded compared to 20.97 million in 2007 showing an increase of 5.2% compared to 19.5% in 2007 while tourism receipts increased from RM46.070 billion in 2007 to RM49.561 billion in 2008. Cumulative tourist arrivals recorded from January to March 2009 were 5.46 million representing an increase of 2.2% compared to 5.34 million for the same period in 2008 (*Source: Property Market Report 2008, Valuation and Property Services Department, Ministry of Finance, NAPIC*).

According to Tourism Minister, the tourists arrival is expected to decline this year from 22 million in 2008 to 20 million in 2009 (*Source: New Straits Times, 3 July 2009*).

Although occupancy rates for 5-star hotels dipped slightly, the average room rate were noted to be higher recorded at RM377, 14% higher than RM331 recorded in 2007 (*Source: Knightfrank Real Estate Second Half 2008*).

As at end 2008, the supply of hotel rooms in the country stood at 156,347 rooms compared to 155,601 rooms in 2007. While in Kuala Lumpur, there is a small increase of hotel rooms to 30,152 rooms from 29,961 rooms. Future supply of hotel rooms comprised 18,756 rooms in the incoming supply and 34,471 rooms in the planned supply while Kuala Lumpur will see an incoming supply of 5,520 rooms and planned supply of 20,336 rooms.

The Malaysian economy is expected to be adversely impacted by negative global developments that have resulted in the sharp decline in exports and its consequent effect on the economy. The full heat of the global crisis is expected to be felt in the second half of 2009 with the market continuing to remain soft. In addition, consumer confidence is not expected to improve with the state of the economic outlook.

The government has revised Malaysia's GDP growth forecast for 2009 to between - 4% and -5%, according to Minister of Finance (*Source: The Star, 22 June 2009*).

With anticipation of wages cutback and pervasive unemployment, retail turnover would be adversely affected due to reduced consumer spending. Thus, the performance of the retail industry is expected to moderate this year with a downward revision in rents as the retail market respond to the impact of the financial crisis.

Starhill REIT will continuously ensure the business philosophy is translated into management practices to maximize profits of the Properties and maintain the yields and returns of the Trust amid a slowdown in the economy and unfavourable business environment.

Nonetheless, Starhill REIT is committed to deliver long term sustainable distributions and capital stability with effective strategies in the area of management, marketing and operation to grow yield accretive assets and build portfolio by exploring acquisitions and capital growth opportunities in Malaysia and other parts of the world.

### **MATERIAL LITIGATION**

There was no material litigation as at the date of this Report.

### **SOFT COMMISSION**

During the financial year, the Manager did not receive any soft commission (ie. goods and services) from its broker, by virtue of transactions conducted by the Trust.

### **DIRECTORS**

The Directors who served on the Board of the Manager, Pintar Projek Sdn. Bhd. since the date of last Report of the Trust are:-

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE  
Dato' Yeoh Seok Kian  
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir  
Dato' (Dr) Yahya Bin Ismail  
Eu Peng Meng @ Leslie Eu

### **DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of Starhill REIT or any other body corporate.

For the financial year ended 30 June 2009, no Director has received or become entitled to receive any benefit by reason of a contract made by the Manager for Starhill REIT or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the Notes to the financial statements.

**DIRECTORS' INTERESTS**

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in Starhill REIT, interests in the units of Starhill REIT as follows:-

	Balance at 01.07.2008	No. of units acquired	No. of units disposed	Balance at 30.06.2009
<b>Direct interest</b>				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	-	-	870,000
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	20,000	-	-	20,000
Eu Peng Meng @ Leslie Eu	-	20,000	-	20,000

Other than as disclosed above, Directors who held office at the end of the financial year did not have interests in the units of Starhill REIT.

**MANAGER'S REMUNERATION**

Pursuant to the Deed, the Manager is entitled to receive from the Trust:-

- (i) a base fee (exclusive of GST, if any) of up to 1.0% per annum of the gross asset value of the Trust;
- (ii) a performance fee (exclusive of GST, if any) of up to 5.0% of net property income, but before deduction of property management fees payable to any property manager appointed to manage any real estate;
- (iii) an acquisition fee of 1.0% of the acquisition price of any real estate or single-purpose company purchased for the Trust (pro rated if applicable to the proportion of the interest of the Trust in the asset acquired); and
- (iv) a divestment fee of 0.5% of the sale price of any asset being real estate or a single-purpose company sold or diverted by the Trust (pro rated if applicable to the proportion of the interest of the Trust in the asset sold).

The remuneration received by the Manager during the financial year is disclosed in Note 5 to the Financial Statements.

**RESERVES AND PROVISIONS**

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the Statement of Changes in Net Asset Value.

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the financial statements of Starhill REIT were made out, the Manager took reasonable steps:-

- (a) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of Starhill REIT in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this Report, the Manager is not aware of any circumstances:-

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of Starhill REIT inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of Starhill REIT misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Starhill REIT misleading or inappropriate.

At the date of this Report, there does not exist:-

- (a) any charge on the assets of Starhill REIT which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of Starhill REIT which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors of the Manager, will or may affect the ability of Starhill REIT to meet its obligations as and when they fall due.

#### OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors of the Manager state that:-

At the date of this Report, they are not aware of any circumstances not otherwise dealt with in this Report or the financial statements of Starhill REIT which would render any amount stated in the financial statements misleading.

In their opinion,

- (a) the results of the operations of Starhill REIT during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of Starhill REIT for the financial year in which this Report is made.

#### AUDITORS

The auditors, Messrs. HLB Ler Lum, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE**

**Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir**

Dated: 16 July 2009  
Kuala Lumpur

## Statement by Manager

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In the opinion of the Directors of PINTAR PROJEK SDN. BHD., the accompanying financial statements are drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 30 June 2009 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the financial year ended on that date.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE**

**Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir**

Dated: 16 July 2009  
Kuala Lumpur

## Statutory Declaration

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I, **TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE, FICE**, being the Director of **PINTAR PROJEK SDN. BHD.** primarily responsible for the financial management of **STARHILL REAL ESTATE INVESTMENT TRUST**, do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE**

Subscribed and solemnly declared by the  
abovenamed **TAN SRI DATO' (DR) FRANCIS  
YEOH SOCK PING, CBE, FICE**  
at Kuala Lumpur on 16 July 2009

Before me:

Commissioner for Oaths

We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the financial year ended 30 June 2009. In our opinion, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in the financial year under review:-

- (a) within the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Market & Services Act 2007 and other applicable laws;
- (b) that the valuation of the Fund is carried out in accordance with the Deed and any regulatory requirements; and
- (c) that the income distributions declared and paid are in line with the investment objectives of the Fund.

For Mayban Trustees Berhad,

**Surindar Kaur G**  
Chief Executive Officer

Dated: 16 July 2009  
Kuala Lumpur

## Report on the Financial Statements

We have audited the financial statements of STARHILL REAL ESTATE INVESTMENT TRUST, which comprise the Balance Sheet as at 30 June 2009 and the Income Statement, Statement Of Changes In Net Asset Value and Cash Flow Statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 61.

## Directors' Responsibility for the Financial Statements

The Directors of Pintar Projek Sdn. Bhd., the Manager of STARHILL REAL ESTATE INVESTMENT TRUST are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to STARHILL REAL ESTATE INVESTMENT TRUST's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the STARHILL REAL ESTATE INVESTMENT TRUST's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 so as to give a true and fair view of the financial position of STARHILL REAL ESTATE INVESTMENT TRUST as of 30 June 2009 and of its financial performance and cash flows for the financial year then ended.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts and Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Guidelines and Act to be kept by STARHILL REAL ESTATE INVESTMENT TRUST have been properly kept in accordance with the Guidelines and provisions of the Act.

## Other Matters

This Report is made solely to the unitholders of STARHILL REAL ESTATE INVESTMENT TRUST, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts and for no other purpose. We do not assume responsibility to any other person for the content of this Report.

### HLB LER LUM

(Firm Number : AF 0276)

Chartered Accountant

### LUM TUCK CHEONG

1005/3/11(J/PH)

Chartered Accountant

Dated : 16 July 2009

Kuala Lumpur

# Income Statement

for the financial year ended 30 June 2009

	Note	2009 RM'000	2008 RM'000
Net revenue	3	110,483	108,228
Property operating expenses	4	(18,894)	(17,610)
<hr/>			
Net property income		91,589	90,618
Interest income		2,813	3,218
Fair value adjustment on investment properties		274,360	-
<hr/>			
<b>Total income</b>		<b>368,762</b>	<b>93,836</b>
<hr/>			
Manager's fees	5	3,486	3,221
Trustee's fee	6	487	413
Borrowing costs	7	8,651	8,674
Auditors' remuneration		20	20
Tax agent's fees		10	10
Valuation fee		147	-
Administration expenses		114	230
<hr/>			
<b>Total expenses</b>		<b>12,915</b>	<b>12,568</b>
<hr/>			
<b>Income before tax</b>		<b>355,847</b>	<b>81,268</b>
<b>Income tax expense</b>	8	-	-
<hr/>			
<b>Income after tax</b>		<b>355,847</b>	<b>81,268</b>
<hr/>			
<b>Income after tax is made up as follows:-</b>			
Realised and distributable		81,487	81,268
Unrealised from fair value adjustment on investment properties		274,360	-
<hr/>			
		<b>355,847</b>	<b>81,268</b>
<hr/>			
<b>Earnings per unit</b>	9		
- after manager's fees (sen)		30.18	6.89
- before manager's fees (sen)		30.48	7.17
<hr/>			
<b>Net income distribution</b>			
- Interim income distribution of 3.4554 sen paid on 26 February 2009 (2008 : 3.4025 sen paid on 29 February 2008)		40,735	40,112
<hr/>			
- Final income distribution of 3.4567 sen (2008 : 3.4911 sen paid on 28 August 2008)		40,751	41,156
<hr/>			
<b>Income distribution per unit</b>			
- Interim income distribution - Gross (sen)		3.4554	3.4025
<hr/>			
- Final income distribution - Gross (sen)		3.4567	3.4911

The notes set out on pages 49 to 61 form an integral part of these financial statements.

## Balance Sheet

as at 30 June 2009

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	10	1,550,201	1,275,135
<b>Current assets</b>			
Trade receivables	11	7,341	2,895
Other receivables & prepayments	12	735	176
Deposits with licensed financial institution	13	97,661	103,588
Cash at bank		738	167
		106,475	106,826
<b>Total assets</b>		<b>1,656,676</b>	<b>1,381,961</b>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>			
<b>Unitholders' funds</b>			
Unitholders' capital	14	1,145,895	1,145,895
Undistributed income		274,362	1
<b>Total unitholders' funds</b>		<b>1,420,257</b>	<b>1,145,896</b>
<b>Non-current liabilities</b>			
Borrowing	15	180,000	180,000
Other payables	16	9,347	8,531
		189,347	188,531
<b>Current liabilities</b>			
Other payables	16	6,321	6,378
Provision for income distribution	17	40,751	41,156
		47,072	47,534
<b>Total liabilities</b>		<b>236,419</b>	<b>236,065</b>
<b>Total unitholders' funds and liabilities</b>		<b>1,656,676</b>	<b>1,381,961</b>
<b>Net assets value ("NAV")</b>		<b>1,420,257</b>	<b>1,145,896</b>
<b>Number of units in circulation ('000)</b>	14	<b>1,178,889</b>	<b>1,178,889</b>
<b>NAV per unit (RM)</b>			
- before income distribution		1.274	1.041
- after income distribution		1.205	0.972

The notes set out on pages 49 to 61 form an integral part of these financial statements.

# Statement of Changes in Net Asset Value

for the financial year ended 30 June 2009

	Unitholders' Capital RM'000	Distributable Undistributed Income		Total Unitholders' Funds RM'000
		Realised RM'000	Unrealised RM'000	
At 1 July 2007	1,145,901	1	–	1,145,902
<b>Operations for the financial year ended 30 June 2008</b>				
Income for the financial year	–	81,268	–	81,268
Increase in net assets resulting from operations	–	81,268	–	81,268
<b>Unitholders transactions</b>				
Acquisition expenses (Note 18)	(6)	–	–	(6)
Distribution paid	–	(40,112)	–	(40,112)
Provision for income distribution (Note 17)	–	(41,156)	–	(41,156)
Decrease in net assets resulting from unitholders transactions	(6)	(81,268)	–	(81,274)
At 30 June 2008	1,145,895	1	–	1,145,896
At 1 July 2008	1,145,895	1	–	1,145,896
<b>Operations for the financial year ended 30 June 2009</b>				
Income for the financial year	–	81,487	–	81,487
Changes in fair value	–	–	274,360	274,360
Increase in net assets resulting from operations	–	81,487	274,360	355,847
<b>Unitholders transactions</b>				
Distribution paid	–	(40,735)	–	(40,735)
Provision for income distribution (Note 17)	–	(40,751)	–	(40,751)
Decrease in net assets resulting from unitholders transactions	–	(81,486)	–	(81,486)
At 30 June 2009	1,145,895	2	274,360	1,420,257

The notes set out on pages 49 to 61 form an integral part of these financial statements.

# Cash Flow Statement

for the financial year ended 30 June 2009

	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax	355,847	81,268
Adjustments for:-		
Allowance for doubtful debts	681	-
Bad debts written off	-	16
Interest income	(2,813)	(3,218)
Interest expense	8,640	8,664
Fair value adjustment on investment properties	(274,360)	-
Operating profit before changes in working capital	87,995	86,730
Increase in receivables	(5,686)	(529)
Increase in payables	759	2,849
Net cash from operating activities	83,068	89,050
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	2,813	3,218
Payment of acquisition expenses	-	(6)
Enhancement of investment properties	(706)	(135)
Net cash from investing activities	2,107	3,077
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(8,640)	(8,664)
Distribution paid	(81,891)	(65,492)
Net cash used in financing activities	(90,531)	(74,156)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(5,356)	17,971
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	103,755	85,784
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	98,399	103,755
<b>NOTE TO THE CASH FLOW STATEMENT</b>		
Cash and cash equivalents comprise:-		
Deposits with licensed financial institution	97,661	103,588
Cash at bank	738	167
	98,399	103,755

The notes set out on pages 49 to 61 form an integral part of these financial statements.

## 1. GENERAL INFORMATION

The principal activity of Pintar Projek Sdn. Bhd., the Manager, is the management of real estate investment trusts.

Starhill Real Estate Investment Trust ("Starhill REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed dated 18 November 2005 and supplementary deed dated 19 April 2007 (collectively referred as "Deed") between the Manager and Mayban Trustees Berhad ("Trustee") and is categorised as a real property fund.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 December 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

The address of the registered office of the Manager is as follows:-

11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007.

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 requires the Directors of the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia, which is the Trust's functional and presentation currency.

### (b) Significant accounting estimates and judgments

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### (i) Provisions

The Trust recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Trust's current best estimate.

#### (ii) Allowance for doubtful debts

The Trust assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

**(c) Investment properties**

Investment properties consist of leasehold and freehold land & buildings which are held for long term rental yield or for capital appreciation or both. Investment properties are accounted for as non-current assets and are stated at fair value.

No depreciation is provided on investment properties. Investment properties are stated at fair value, which reflects market condition at the balance sheet date. The fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. In compliance with the Securities Commission's Guidelines on Real Estate Investment Trusts, real properties are to be revalued at least once in every 3 years from the last valuation. Any increase or decrease arising from changes in the fair value is credited or charged directly to the Income Statement as a net appreciation or depreciation in the value of the investment properties.

A property interest held under operating lease is classified and accounted for as investment property as the Trust holds it to earn rental income or for capital appreciation or both.

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Income Statement.

**(d) Leases**

Rental income from operating lease is recognised over the term of the lease. Property held under operating lease, which is held for rental income or capital appreciation of both, is classified as investment property.

**(e) Receivables**

Receivables are stated at cost less any allowances for doubtful debts. Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

**(f) Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and deposits with licensed financial institutions.

**(g) Payables**

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**(h) Provisions**

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

**Provisions for income distribution**

Provisions for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager and but not distributed at the balance sheet date.

**(i) Interest-bearing borrowings**

Interest-bearing bank loans are recorded at the amount of proceeds received.

Borrowing costs are recognised as an expense in the Income Statement in the period in which they are incurred.

**(j) Income tax and deferred tax**

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unabsorbed tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

**(k) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

(i) Rental income and other related charges

Rental income and service charges are recognised in the Income Statement as they accrue over the period of the rental.

(ii) Carpark income

Carpark income is recognised in the Income Statement on accrual basis.

(iii) Interest income

Interest income is recognised in the Income Statement as it accrues, taking into account the effective yield on the asset.

**(l) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments carried on the Balance Sheet comprise cash and cash equivalents, receivables, payables and borrowing. The recognition methods adopted are disclosed in the respective accounting policy, where applicable. Distribution to holders of financial instruments classified as equity is charged directly to equity.

The face values of the assets (less any estimated credit adjustment) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

**3. NET REVENUE**

	2009 RM'000	2008 RM'000
Rental income	92,617	93,048
Service charges	12,321	9,124
Carpark income	5,250	5,136
Other interest income	268	193
Maintenance income	617	643
Other income	91	100
Gross revenue	111,164	108,244
Less : Allowance for doubtful debts	(681)	-
Bad debts written off	-	(16)
	<b>110,483</b>	<b>108,228</b>

**4. PROPERTY OPERATING EXPENSES**

	2009 RM'000	2008 RM'000
Service charges & fixed operating costs	11,645	10,565
Property management fees	1,514	1,467
Assessment & quit rent	5,068	5,068
Insurance & others	667	510
	<b>18,894</b>	<b>17,610</b>

For the financial year ended 30 June 2009, property management fees of RM1,513,786 (2008: RM1,467,535) was paid to the Property Manager, Azmi & Co. Building Services Sdn. Bhd., in accordance to the Valuers, Appraisers and Estate Agent Acts 1981.

**5. MANAGER'S FEES**

Fees paid and payable to the Manager during the financial year comprise:-

	2009 RM'000	2008 RM'000
(i) Base fee	1,624	1,379
(ii) Performance fee	1,862	1,842
	<b>3,486</b>	<b>3,221</b>

- (i) Pursuant to the Deed, the base fee, accrued daily, representing 0.1% per annum of the gross asset value of the Trust; and  
(ii) Pursuant to the Deed, the performance fee representing 2% of the net property income of the Trust recorded during the financial year, but before deduction of property management fees.

**6. TRUSTEE'S FEE**

Pursuant to the Deed, the Trustee's fee, accrued daily, paid and payable to the Trustee, representing 0.03% per annum of the gross asset value of the Trust.

**7. BORROWING COSTS**

	2009 RM'000	2008 RM'000
Interest expense on term loan (Note 15)	8,640	8,664
Incidental cost incurred to administer the term loan facility:- - Facility fee	11	10
	<b>8,651</b>	<b>8,674</b>

**8. INCOME TAX EXPENSE**

There is no taxation charged for the financial year ended 30 June 2009 (2008: Nil). The Trust has provided approximately 100% of the distributable income to unitholders which income at the Trust level is exempted from tax in accordance with Section 61A of Income Tax Act 1967.

A reconciliation of income tax expense applicable to income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Trust is as follows:-

	2009 RM'000	2008 RM'000
Income before tax	355,847	81,268
Income tax using Malaysian statutory tax rate of 25% (2008: 26%)	88,962	21,130
Expenses not deductible for tax purposes	188	154
Effect of fair value adjustment on investment properties not subject to tax	(68,590)	-
Utilisation of capital allowances	(4,858)	(5,085)
Income exempted from tax	(15,702)	(16,199)
Income tax expense	-	-

**9. EARNINGS PER UNIT**

- (i) The earnings per unit after manager's fees has been calculated based on the income for the financial year of RM355,847,162 (2008: RM81,267,907) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2008: 1,178,888,889).
- (ii) The earnings per unit before manager's fees has been calculated based on the income for the financial year before deduction of manager's fees of RM359,333,175 (2008: RM84,488,520) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2008: 1,178,888,889).

**10. INVESTMENT PROPERTIES**

	2009 RM'000	2008 RM'000
At beginning of the financial year	1,275,135	1,275,000
Enhancement during the financial year	706	135
Fair value adjustments	274,360	-
At end of the financial year	1,550,201	1,275,135
Analysis of investment properties:-		
Freehold land & building	1,147,897	934,000
Long term leasehold land & building - 99-financial year term expiring on 29 July 2076	402,304	341,135
	1,550,201	1,275,135

Investment properties at cost amounting to RM1,150 million (2008: RM1,150 million) are charged as security for a term loan granted to the Trust as disclosed in Note 15 to the Financial Statements.

**11. TRADE RECEIVABLES**

	2009 RM'000	2008 RM'000
Trade receivables	8,205	3,078
Less : Allowance for doubtful debts	(864)	(183)
	7,341	2,895

The amounts due from the companies related to the Manager, which amounted to RM3,409,568 (2008: RM513,684) relates to rental and other charges due in respect of tenancy agreements and are subject to normal trade terms.

In the previous financial year, the Trust wrote off trade receivables of RM15,865.

**12. OTHER RECEIVABLES & PREPAYMENTS**

	2009 RM'000	2008 RM'000
Other receivables	680	125
Prepayments	55	51
	735	176

The amounts due from the companies related to the Manager, which amounted to RM582,462 (2008: RM74,920) are unsecured, interest free and receivable on demand.

**13. DEPOSITS WITH LICENSED FINANCIAL INSTITUTION**

The effective interest rate of deposits placed with a licensed bank was 2.1% (2008: 3.5%) per annum.

The average maturities of deposits of the Trust ranged from 1 day to 35 days (2008: 1 day to 33 days).

**14. UNITHOLDERS' CAPITAL**

	2009 No. of units '000	2008 No. of units '000
Authorised:- At beginning / end of the financial year	1,178,889	1,178,889
Issued and fully paid:- At beginning of the financial year	1,145,895	1,145,901
Acquisition expenses (Note 18)	-	(6)
At end of the financial year	1,145,895	1,145,895
	2009 No. of units '000	2008 No. of units '000
Issued and fully paid:- At beginning / end of the financial year	1,178,889	1,178,889

**15. BORROWING - secured**

	2009 RM'000	2008 RM'000
Term loan	180,000	180,000

The term loan with a tenure of five years and bearing a fixed interest rate of 4.8% (2008: 4.8%) per annum is secured by a first fixed charge over investment properties as disclosed in Note 10 to the Financial Statements. The term loan shall be repaid in one lump sum on 16 December 2010.

**16. OTHER PAYABLES**

	2009 RM'000	2008 RM'000
Other payables	157	272
Accruals	1,530	1,697
Tenants' deposits		
- Payable within 12 months	4,634	4,409
- Payable after 12 months	9,347	8,531
	<b>15,668</b>	<b>14,909</b>
Represented by:-		
Current liabilities	6,321	6,378
Non-current liabilities	9,347	8,531
	<b>15,668</b>	<b>14,909</b>

The amounts due to the Manager and the companies related to the Manager, which amounted to RM61,789 (2008: RM164,657) are unsecured, interest free and payable on demand.

**17. PROVISION FOR INCOME DISTRIBUTION**

	2009 RM'000	2008 RM'000
At beginning of the financial year	41,156	25,380
Provision made during the financial year	81,486	81,268
Distribution paid during the financial year	(81,891)	(65,492)
At end of the financial year	<b>40,751</b>	<b>41,156</b>

Pursuant to the Deed, it is the policy of the Manager to distribute at least 90% of the distributable income for each financial year.

For the financial year ended 30 June 2009, the Manager has declared a final income distribution of 3.4567 sen per unit (2008: 3.4911 sen per unit), totaling RM40,750,652 (2008: RM41,156,190). Total distribution paid and declared for the financial year ended 30 June 2009 is 6.9121 sen per unit, totaling RM81,485,979, representing approximately 100% of the realised and distributable income after tax (2008: 6.8936 sen per unit, totaling RM81,267,884).

Distribution to unitholders is from the following sources:-

	2009 RM'000	2008 RM'000
Net property income	91,589	90,618
Interest income	2,813	3,218
Less : Expenses	94,402 (12,915)	93,836 (12,568)
Less : Undistributed income	81,487 (1)	81,268 -
Total income distribution	81,486	81,268
Gross distribution per unit (sen)	6.9121	6.8936
Net distribution per unit (sen)	6.9121	6.8936

#### 18. LISTING/ACQUISITION EXPENSES

	2009 RM'000	2008 RM'000
At beginning of the financial year	22,701	22,695
Addition during the financial year	-	6
At end of the financial year	22,701	22,701

These expenses are deducted directly against the unitholders' funds.

#### 19. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

#### 20. UNITHOLDING BY THE MANAGER

As at 30 June 2009, the Manager did not hold any unit in the Trust.

**21. UNITHOLDERS RELATED TO THE MANAGER**

	← 2009 →		
	No. of units held '000	Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	747,084	63.37	620,080
YTL Power International Berhad	43,090	3.66	35,765
	<b>790,174</b>	<b>67.03</b>	<b>655,845</b>

	← 2008 →		
	No. of units held '000	Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	746,351	63.31	634,398
YTL Power International Berhad	43,090	3.66	36,626
	<b>789,441</b>	<b>66.97</b>	<b>671,024</b>

The market value of the units held by the companies related to the Manager is determined by using the closing market value of the Trust as at 30 June 2009 of RM0.83 per unit (2008: as at 30 June 2008 of RM0.85 per unit).

Pintar Projek Sdn. Bhd., the Manager of the Trust is also a subsidiary of YTL Corporation Berhad, a public listed company. YTL Corporation Berhad is therefore deemed to have control over the Trust as Pintar Projek Sdn. Bhd. governs the financial and operating policies of the Trust.

**22. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER**

	2009 RM'000	2008 RM'000
Rental income received and receivable from:-		
Autodome Sdn. Bhd.	21,154	23,747
Prestige Lifestyles & Living Sdn. Bhd.	875	-
Star Hill Hotel Sdn. Bhd.	30,092	29,650
Star Hill Living.Com Sdn. Bhd.	109	2
Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd.	-	157
YTL e-Solutions Berhad	981	868
YTL Land & Development Berhad	521	461
YTL Land Sdn. Bhd.	7,639	5,824
YMax Sdn. Bhd.	220	220

The Manager is of the opinion that these transactions are conducted in the normal course of business and are under terms that are not less favourable than those arranged with third parties.

### 23. OPERATING LEASE ARRANGEMENT

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are analysed as follows:-

	2009 RM'000	2008 RM'000
Not later than 1 year	34,894	36,765
Later than 1 year and not later than 5 years	225,555	233,133
Later than 5 years	386,706	418,149
	<b>647,155</b>	<b>688,047</b>

### 24. THE NEW OR REVISED FINANCIAL REPORTING STANDARDS

The new or revised Financial Reporting Standards which have been published that are mandatory for the Trust's accounting periods beginning on or after 1 January 2009 or later period, are as follows:-

(a) Standards that are not yet effective and have not been early adopted

(i) FRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2010).

FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosure requirements in FRS 132 Financial Instruments: Presentation.

The Trust will apply this standard from financial year beginning on 1 July 2010.

(ii) FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009).

(iii) FRS 139 Financial Instruments: Recognition and Measurement (effective for financial periods beginning on or after 1 January 2010).

The impact of applying FRS 139 on the financial statements has not been disclosed by virtue of the exemption stipulated in the said FRS.

(iv) IC Int 10 Interim Financial Reporting and Impairment (effective for financial periods beginning on or after 1 January 2010).

(b) Standard that is not yet effective and not relevant for the Trust's operations.

(i) FRS 4 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2010).

(ii) IC Int 9 Reassessment of Embedded Derivative (effective for accounting periods beginning on or after 1 January 2010).

**25. FINANCIAL INSTRUMENTS**

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Trust's operations are subject to a variety of financial risks, including interest rate risk, credit risk, liquidity and cash flow risk.

The Trust's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its unitholders. It is not the Trust's policy to engage in speculative transactions.

## (a) Interest rate risk

The Trust's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure which arises from borrowing is managed through the use of fixed rate debt with long term tenure. The Trust seeks to invest cash assets safely and profitably with placements of such assets with creditworthy licensed banks and financial institutions. The interest rate exposure which arises from such investments is managed by varying the maturities.

## (b) Credit risk

The Trust is exposed to credit risk mainly from receivables. The Trust extends credit to its tenants based upon established credit evaluation and credit control and monitoring guidelines.

## (c) Liquidity and cash flow risk

The Trust practises prudent liquidity risk management policies and maintains sufficient levels of cash for working capital and contingent funding requirements.

The carrying amounts of financial assets and liabilities of the Trust at the balance sheet date approximate their fair values other than as disclosed below:-

	2009/2008	
	Carrying Amount RM'000	Fair Value RM'000
Term loan	180,000	171,756

**26. PORTFOLIO TURNOVER RATIO ("PTR")**

PTR is the ratio of the average of acquisitions and disposals of investments for the financial year to the average net asset value of the Trust during the financial year calculated on a daily basis.

During the financial year, the PTR is not applicable (2008: not applicable) because there is no acquisition and disposal of investments. Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Trust's PTR against other real estate investment trusts.

**27. MANAGEMENT EXPENSE RATIO**

	2009	2008
Management Expense Ratio ("MER")	0.31%	0.34%

MER is calculated based on the total of all the fees and expenses incurred by the Trust in the financial year and deducted directly from the income (including the manager's fees, the trustee's fee, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Trust (including the costs of printing, stationery and postage), to the average net asset value of the Trust during the financial year calculated on a daily basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Trust's MER against other real estate investment trusts.

**28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Fair value adjustments on investment properties amounting to RM274.360 million comprise:-

- (i) The revaluation surplus amounting to RM254.360 million that arose from the revaluation of investment properties, namely Lot 10, Starhill Gallery and JW Marriott Hotel Kuala Lumpur, which was approved by the Securities Commission ("SC") on 11 July 2008. The Trust incorporated the revaluation surplus into the Income Statement on 15 July 2008.
- (ii) The revaluation surplus amounting to RM20.0 million that arose from the revaluation of investment properties, namely The Residences Properties. The revaluation is not subject to the approval of the SC. The Trust incorporated the revaluation surplus into the Income Statement on 30 June 2009 subsequent to the approval from the Board on the same date.

**29. SEGMENTAL REPORTING**

As the investment objectives of Starhill REIT is to invest in real estate and real estate-related assets with the primary objective to provide unitholders with stable distribution per unit with the potential for sustainable long term capital growth of such distributions, there are no risks and returns distinguishable between business and geographical segments. No segmental reporting is thus presented.

**30. CURRENCY**

The financial statements of the Trust are expressed in Ringgit Malaysia.

**31. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors on 16 July 2009.

